

D R A F T
RMBeaudry/afm
2/15/68

SECRET

INTERDEPARTMENTAL REGIONAL GROUP
FOR EUROPE

DOE, & STATE
review(s) completed.

Minutes of Meeting of February 14, 1968

Chairman: John M. Leddy

Present: DOD - Mr. Halperin, Mr. Lehmann, Dr. Larsen
AEC - Commissioner Tape, Mr. Hudgins, Mr. Boger
JCS - Brig. General Marshall
25X1A CIA -
WH - Mr. Fried, Mr. Keeny
USIA - Mr. Weld
G/PM - Mr. Trippe
L/EUR - Mr. Berlack
ACDA - Mr. Van Doren
EUR/BMI - Mr. Cheslaw
EUR/RPM - Mr. Collins
EUR - Mr. Beaudry

Conclusions

1. The meeting noted that the minutes of the meeting of January 10 had been approved as amended.
2. The IRG/EUR agreed that Part IV, C, "Preferred U.S. Position," of the paper was generally acceptable to the members but that it should be redrafted to reflect certain clarifications which were developed during the course of the meeting. The redraft would be circulated for approval prior to sending the paper to the SIG with the request for approval of the course of action proposed.

Discussion

2

Mr. Cheslaw explained the reason for considering this paper, noting that we must make up our minds whether to continue this arrangement beyond the present cut-off date of 1969 during the course of the present year. He also noted that the British have put in a request for submarine fuel which would be delivered after the termination date. Our response to this request will depend on our basic stance toward the U.K. on nuclear matters. Mr. Cheslaw cited statements by Defense Minister Healy/that the U.K. is determined to retain its nuclear capability. It is in U.S. interest to assist them in this course.

The Chairman stated that we have three possibilities: we can urge the British to expand their nuclear capability; we can attempt to force them out of the nuclear business; or we can proceed to cooperate with the British, letting them set their own pace either to wind-down or to up-grade their capability.

Mr. Halperin and Mr. Keeny both noted that the paper called for us to help the U.K. maintain their nuclear capability in "as near first rate condition as possible." Was it our intention to assist the British in undertaking a/major/modernization which would introduce them to the most advanced state of the art? Dr. Larsen remarked that if the U.K. merely intended to keep its present nuclear force alive for prestige purposes, the U.S. would have a passive role merely assisting them on request. On the other hand,

if the U.K. wanted to improve its capability we would face the question of deciding whether to give them information which would involve important security considerations.

Mr. Leddy pointed out that the intent of this paper was to provide general policy guidance for U.S. officials and that it was not intended to spell out in detail what should be provided to the British in specific cases. He concurred in Commissioner Tape's comment that the intent is to leave the initiative with the British.

Mr. Van Doren commented that everyone was agreed that the agreement should be renewed since it provided a framework under which specific programs could be dealt with on a case-by-case basis.

The DOD position, as outlined by Dr. Larsen, was that we should be prepared to assist at the present level or contribute to a significant improvement of the U.K. capability provided we retained the right to determine our contributions strictly on a case-by-case basis. The Chairman agreed that this was clearly the intent of the paper and said that the IRG appeared to be in agreement that (a) we were prepared to respond to British requests, which in turn would depend on what the British themselves were prepared to put into their program, (b) the U.S. response would be subject to fundamental security considerations.

and (c) the question of any new weapons system, such as Poseidon, would be decided outside the agreement, which deals only with weapons information and materials assistance.

Mr. Keeny cautioned that the broad language of the paper may conceal certain issues of policy in providing information to the British. For example, the British presently are in a position where they lack sufficient information to make a proper request and we would have to provide it to facilitate their decision on what proposal to put to us. This could involve us in supplying extremely sensitive information on advanced systems.

Mr. Keeny and Commissioner Tape commented concerning the value to the U.S. of the information received in an exchange. It was noted that this depended on the level of activity the British were prepared to undertake. It was agreed that the U.S. interest would be best served if the U.K. had a first-rate capability.

Commissioner Tape indicated his agreement with the paper although he suggested that there might be a few minor adjustments of language in the interest of precision. He noted that the U.K. request for submarine fuel makes it necessary for us to respond probably within the next two months. Beyond this he understands that the U.K. will probably make a decision on up-grading of Polaris about May or June.

Mr. Halperin's suggestion that the operative section of the paper be redrafted to reflect the sense of the meeting was adopted.

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The Proposal

The US/UK nuclear relationship should be permitted to proceed at a pace commensurate with what the British have in mind for their own force. We should not exercise our option to terminate selective release of nuclear weapons information by the end of 1969. As for material assistance in the weapons field, if the British request we should extend those provisions for another ten years beyond 1969 but limit such assistance to what seems reasonably required to keep their force viable in the 1970's. In the course of the negotiations on the extension of these arrangements we would say to the British that these negotiations deal only with the framework for continued cooperation on weapons information and materials assistance, that other subjects, such as new weapons or delivery systems, would remain subject to separate consideration on a case-by-case basis, and that we reserve the right to evaluate any request in this area in the light of all factors at the time.

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17 February 1968

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MEMORANDUM FOR:

SUBJECT : European IRG Meeting - 28 February 1968

1. The European IRG will consider the attached paper, "Proposal to Mitigate the Extraterritorial Effects of U.S. Cuban Assets Control and Foreign Assets Control Regulations" on 28 February 1968 at 3:00 p.m.

potpmed 2. While the attached paper may not have direct bearing on Cuban matters, it is submitted for information and comment as appropriate.

3. We would appreciate receipt of any pertinent suggestions or comments well in advance of that date.

25X1A



Attachment:
As Noted

25X1



DEPARTMENT OF STATE

Washington, D.C. 20520

February 9, 1968

CONFIDENTIAL (with SECRET attachment)

TO : EUR/IRG Regular Members (and invited list)
FROM : EUR/IRG - Robert M. Beaudry, Staff Director
SUBJECT: Proposal to Mitigate the Extraterritorial
Effects of U.S. Cuban Assets Control and
Foreign Assets Control Regulations

The EUR/IRG will consider the attached paper at a meeting on February 28 at 3:00 p.m. in Room 7516, at the Department of State.

You are invited to attend the meeting.

Attachment:

Proposal to Mitigate the
Extraterritorial Effects of
U.S. Cuban Assets Control and
Foreign Assets Control Regulations

Invited list:

Department of the Treasury
Department of Commerce
Department of Justice
ARA

EUR/RMB:afm

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Proposal to Mitigate the Extraterritorial Effects of
U.S. Cuban Assets Control and Foreign Assets Control Regulations

Problem:

To find an effective means to mitigate mounting Canadian concern about the extraterritorial effects in Canada of U.S. laws and regulations, before the Canadian Government takes important and perhaps irrevocable decisions affecting the future of U.S. investment in Canada in connection with its consideration of the recommendations of the Gordon Task Force on Foreign Investment.

Discussion:

The Canadian Government is becoming increasingly concerned about extraterritorial application of U.S. laws and regulations in Canada, particularly with regard to regulations under the Trading with the Enemy Act. In a note of September 12, the Canadian Government stated that problems arising under these regulations involve important issues relating to the freedom of Canadian firms operating in Canada, but having directors or officers who are U.S. citizens, to comply with Canadian policy. The note points out, quite correctly, that the general license the U.S. has issued under the Cuban Assets Control regulations, which permits foreign subsidiaries of U.S. companies to trade in non-strategic goods with Cuba, is negated by the failure to include within the general license American officers and directors of such foreign subsidiaries. Under the Foreign Assets Control Regulations governing trade with China, North Korea and North Vietnam no general license has been issued to U.S. subsidiaries abroad. The Canadian note emphasizes the significance of this issue for Canada and calls upon the U.S. Government "to remove such restraints upon directors or officers of Canadian companies who are also U.S. citizens as have the effect of prohibiting legitimate Canadian exports."

It is our view that feeling on this issue in Canada has now reached such a state as to pose a serious threat that the Canadian Government will enact counter-legislation,

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if we continue to flout the policies of the Canadian Government with respect to firms domiciled in Canada. Counter-legislation could well be accompanied by pressure on U.S. subsidiaries actively to seek opportunities to trade with Cuba and China and by a withdrawal of the high degree of cooperation we now enjoy from Canada with regard to transshipment of goods of U.S. origin.

There is also a grave danger that U.S. investment would face restrictions as a result of Canadian resentment of extraterritorial control of U.S. subsidiaries. Such restrictions could arise out of the recommendations of the Gordon Task Force on foreign investment which are now under consideration in Canada. We strongly believe that \$25 billion in U.S. investment should not be placed in jeopardy for the meager results we obtain from attempting to extend our denial program into Canada.

We believe that extraterritorial application of our FAC and CAC Regulations not only sours our relations with Canada but that it accomplishes no significant U.S. purpose. The basic reason for the failure of the program is that most of the goods needed by the target countries are readily available from non-U.S. sources. Those that are not -- including certain spare parts -- can be, and are, purchased readily through intermediaries from U.S. subsidiaries abroad.

Because of the adverse effect on our foreign relations and the feeling that such measures do not serve a significant U.S. purpose, the Department's Advisory Committee on International Business Problems recommended in June of last year that the U.S. take steps to eliminate the extraterritorial extension of our regulations under the Trading with the Enemy Act. In 1965 the Merchant-Heeney Report made a similar recommendation with regard to Canada.

Although the FAC and CAC Regulations have caused the most serious problems in our relations with Canada, similar problems have arisen in the United Kingdom and France. We would propose that measures taken to alleviate concern over U.S. extraterritorial control of U.S. subsidiaries in Canada

be applicable to all U.S. subsidiaries abroad. This would seem warranted on general policy grounds (non-discrimination), as well as in the interest of removing an irritant in our relations with the U.K. and West European countries generally. Moreover, in Europe as in Canada, it would tend to make U.S. firms less vulnerable to discriminatory measures by host governments.

The nature of the present FAC and CAC controls is discussed in ANNEX A, together with a more detailed discussion of the proposed solution.

In brief, our proposed solution is to expand the scope of the existing general license for U.S. subsidiaries abroad under the CAC regulations to cover U.S. officers and directors of such subsidiaries, and to issue a like general license under the FAC regulations to cover trade with Communist China. This action would permit the subsidiaries abroad to trade in non-strategic goods of non-U.S. origin with Cuba and Communist China, without prejudice to any rights we might have under international law to control such transactions. In effect, this proposal would amount to implementation of a part of the East-West trade package developed and approved by the Department in 1965 in response to NSAM 352. That package, although it received Secretary Rusk's concurrence and that of all interested bureaus in the Department, has not yet been implemented. Rather than await a more propitious moment to proceed with the entire package, we feel that the part relating to the FAC and CAC regulations should be extracted and approved for implementation at this time.

Recommendations:

1. Modification of the general license for U.S. subsidiaries abroad under the CAC regulations to cover U.S. citizen officers and directors of such subsidiaries; and,
2. Issuance of a similar general license under the FAC regulations, applicable to trade with Communist China but not to trade with North Viet-Nam and North Korea.

Attachments:

1. ANNEX A - The Nature of the Existing Controls and Specific Proposals for Changes.

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2. ANNEX B - Recommendation of the Advisory Committee
on International Business Problems.
3. ANNEX C - Merchant-Heeney Recommendations.

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ANNEX A

The Nature of the Existing Controls and
Specific Proposals for Changes

Nature of the Controls

The Cuban Assets Control Regulations (31 CFR 515.101-.808) were issued by Treasury in July 1963. They prohibit unlicensed transactions with Cuba and Cuban nationals except transactions by American overseas subsidiaries (other than banking and marine transport organizations) which have been permitted under general license. The value of this general license has been negated from the beginning, however, by Treasury defining it so as not to include American citizen officers and directors of U.S. subsidiaries abroad.

The Foreign Assets Control Regulations prohibit U.S. nationals and U.S. firms, including U.S. subsidiaries abroad, from engaging in transactions with China, North Korea, and North Vietnam. No general license has been issued under the FAC regulations to exempt transactions in non-strategic foreign origin goods by U.S. subsidiaries abroad.

Proposed Solution:

We recommend that immediate action be taken to bring American officers and directors of foreign subsidiaries abroad within the general license that has already been issued (CFR 515.541) which allows U.S. subsidiaries abroad to trade in non-strategic goods with Cuba. We would propose that this be done by amending Section 515.541(e) as follows (added words, underlined): This section does not authorize any person subject to the jurisdiction of the U.S. other than an organization described in paragraph (A) of this section or an officer, director or employee of such an organization described in paragraph (A) of this section to engage in or participate in or be involved in any transaction.

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We further recommend that the language of Section 515.541 of the CACR, as amended above, be incorporated into the Foreign Assets Control regulations with applicability to Communist China. This would provide a general license for U.S. subsidiaries abroad, including their U.S. citizen officers and directors, to engage in trade in non-strategic, non-U.S. origin goods with Communist China.

It should be emphasized that the changes we are recommending in the CAC and FAC regulations would in no sense authorize trade with Cuba and the Asian communist countries in either U.S. origin goods or strategic goods, which would continue to be prohibited by the Commerce regulations and COCOM restrictions respectively.

The general lines of the solution we are now proposing were agreed to by the interested offices in the Department of State, including the Bureaus of East Asian Affairs, European Affairs, Latin American Affairs and Economic Affairs, and were approved by the Secretary of State as part of a group of proposals on East-West initiatives prepared in 1966 in response to NSAM 352 (copy of relevant portion of agreed proposals attached).

The proposals agreed to in 1966 were transmitted to other departments for comment. They received the support of the Secretary of Defense but the Secretary of the Treasury and the Secretary of Commerce both expressed reservations about some aspects of the proposals. What we are proposing now is that rather than await a propitious moment to move forward with the entire package agreed to in 1966, that the Department extract from it the agreed proposal relating to trade with Cuba and the Asian Communist countries by U.S. subsidiaries abroad and seek agreement of the Treasury to implement it at this time.

Attachment:

Relevant portion of agreed proposals.

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Relevant Portion of Agreed 1966 Proposals

Extracted from the Department's paper of September 14, 1966 entitled East-West Initiatives, which was prepared in response to NSAM 352. The East-West Initiatives paper also contained proposals for liberalization of U.S. commodity controls on exports to Eastern Europe and the USSR and for liberalization of the COCOM list and COCOM procedures.

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FOREIGN ASSETS AND CUBAN ASSETS CONTROL

Proposal

To lessen a nagging irritant in the Alliance by limiting the extraterritorial application of Foreign Assets Control Regulations (FACR) and Cuban Assets Control Regulations (CACR) to those cases in which denial serves an overriding strategic purpose.

Present Controls

FACR prohibits any American citizen or American owned or controlled subsidiary overseas from doing business with Communist China, North Korea or North Viet Nam without a Treasury license. CACR prohibits unlicensed transactions with Cuba in the same terms as the Chinese regulations. However, US overseas subsidiaries -- other than banks and shipping companies -- are authorized to do business with Cuba under general Treasury license, provided no American citizen participates in the transaction. If the subsidiary has American directors or officers, Treasury licenses must be issued before the transaction can be consummated.

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Under present administrative practice licenses are granted for export to target countries only if denial would cause "significant adverse consequences for the foreign relations of the United States," and then only if the item in question is neither strategic nor -- in the case of Cuba -- critical to the economy. In practice virtually no licenses are issued for export to Cuba except for food and medical supplies on an ad hoc basis.

As a result of the State-Commerce-Treasury "moral suasion" program, very few US subsidiaries, whatever their legal rights, do business with Cuba.

Proposed Changes

1. Issue general licenses to US subsidiaries abroad and to their US officers and directors for import and export transactions with Communist China and North Korea and for export transactions with Cuba, except where
 - i. The subsidiary is a banking, insurance or transport firm, or
 - ii. The item in question is on the COCOM, US Munitions or Atomic Energy lists; requires a validated license for export to friendly countries

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(i.e., subgroups T and V of the Export Control Regulations) or for export to the USSR or Eastern Europe (subgroups W and Y); involves nuclear propulsion; or is covered by the Nuclear Test Ban Treaty or NSAM 294.

2. Exempt for FACR and CACR dollar transactions which take place outside the United States between persons not subject to US jurisdiction.

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ANNEX B

Recommendation of the Advisory Committee on
International Business Problems

This Committee of distinguished business leaders appointed to advise the Department of State on international business problems dealt with the problem of extraterritoriality at their June 5, 1967 meeting. After hearing witnesses from the Departments of State, Treasury, Commerce and the private sector, the Committee recommended "that where an export license would be denied by the Department of Commerce to an American firm, we should seek to prevent a U.S. foreign subsidiary from making the same or an equivalent sale only if the products to be sold by the subsidiary include significant U.S. components or if transmission of technical data of a substantial nature is involved. Equity ownership by U.S. citizens or corporations should not be considered sufficient basis for attempting to prevent the sale by the foreign subsidiary." The Committee also recommended that "with respect to Department of the Treasury controls on transactions by persons subject to the jurisdiction of the United States, the Committee recommended that we seek to persuade U.S. firms controlling foreign subsidiaries to observe U.S. economic denial controls and regulations up to the point where the action would violate the sovereignty, national policies and/or laws of the host country." Attempts to impose controls beyond this point, the Committee felt, have proven ineffective and have only resulted in the generation of ill-will towards U.S. business enterprises.

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ANNEX C

Merchant-Heeney Recommendations

At the request of President Johnson and Canadian Prime Minister Pearson, former U.S. Ambassador to Canada Livingston T. Merchant and former Canadian Ambassador to the United States A. D. P. Heeney undertook an extensive study of U.S.-Canada economic relations in 1965. Their report issued June 28, 1965 recommended as follows with respect to extraterritoriality:

"It is important that each country should avoid efforts, or apparent efforts, to extend its domestic law into the territory of the other. A case in point -- the administration of foreign assets control under the United States Trading with the Enemy Act, as it relates to United States-owned branches and subsidiaries domiciled in Canada, occasionally comes into conflict with the laws, regulations and policies of the Canadian Government. We strongly recommend that the two governments examine promptly the means, through issuance by the United States of a general license or adoption of other appropriate measures, by which this irritant to our relationship may be removed, without encouraging the evasion of United States law by citizens of the United States."

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Follow's

Baseline
COB Thurs 16 Nov

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See memo 15 Nov
(filed memo)



November 13, 1967

SENIOR INTERAGENCY CONFIDENTIAL GROUP

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MEMORANDUM FOR SIG MEMBERS:

Deputy Secretary of Defense
Chairman, Joint Chiefs of Staff
The Director of Central Intelligence
Administrator, Agency for International Development
Director, United States Information Agency
Special Assistant to the President
Under Secretary of Treasury
Under Secretary of Agriculture
Under Secretary of State for Political Affairs
Deputy Under Secretary of State for Political Affairs
Counselor of the Department of State

As you will have seen from a separate memorandum, the next SIG meeting will be on November 20 at the request of Treasury.

Because of the holiday on November 23, I am scheduling the regular SIG meeting on Wednesday November 22 at 4:00 p.m. and the subject will be a discussion of Middle East policy based on two papers approved by IRG/NEA--one on indigenous trends and another on arms policy--both of which were requested at the 21st meeting of the SIG. I hope to have these papers distributed in the next two days.

Leonard Marks has sent a note to Mr. Katzenbach once again suggesting that he would find it useful to have an examination in SIG of current trends of policy in Canada as they affect relations with the United States. I have asked IRG/EUR to prepare such a paper for a future meeting.

Arthur A. Hartman
Arthur A. Hartman
Staff Director

THE UNDER SECRETARY OF THE TREASURY
WASHINGTON, D.C.

November 13, 1967

MEMORANDUM FOR INTERDEPARTMENTAL COORDINATION

CONFIDENTIAL

MEMORANDUM FOR SIG MEMBERS:

Deputy Secretary of Defense
Chairman, Joint Chiefs of Staff
The Director of Central Intelligence
Administration, Agency for International Development
Director, United States Information Agency
Special Assistant to the President
Under Secretary of Treasury
Under Secretary of Agriculture
Under Secretary of State for Political Affairs
Deputy Under Secretary of State for Political Affairs
Counselor of the Department of State

At the request of Under Secretary of the Treasury, I am scheduling a SIG meeting on Monday, November 20 at 4:00 p.m. The subject of the meeting will be a proposal for US sponsorship of a resolution on the military balance of payments problem to be introduced at the NATO Ministerial Meeting in December. Attached is the Treasury draft recommendation which will be the basis for our discussion on November 20.

Arthur A. Hartman
Arthur A. Hartman
Staff Director

Attachment:

As stated.

November 3, 1967

D R A F T

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U.S. Action on the Military Balance of Payments Problem at the
NATO Ministerial Meeting in December 1967

Recommendation

At the NATO Ministerial Meeting in December 1967, the U.S. should propose adoption of a resolution on the subject of neutralizing the net foreign exchange costs of military expenditures between members of the Alliance. A recommended resolution (Attachment A) has two alternatives:

1. To establish a NATO study group with a technical U.S. proposal in December, but possibly later.
2. To introduce a technical U.S. proposal in December in addition to establishing the NATO study group.

Discussion

I. Introduction

A decision is needed at an early date on the approach the U.S. should take at the December NATO Ministerial Meeting concerning the military balance of payments problems of the Alliance. That it is time for more than the general U.S. statements of previous years is evident because of:

1. Continuing heavy U.S. military deficits in the

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2. The need for corrective action on a more complete and longer term basis than presently contemplated bilateral arrangements.
3. Planned focus of the December meetings on the future tasks of the Alliance (Harmel Study) of which financial viability for the Alliance is a sine qua non.

An early decision is necessary:

1. To prepare the nature of the Ministerial action we desire.
2. To prepare a possible substantive technique of multilateral procedures which the U.S. might propose in December or later to neutralize the net military deficits between members of the Alliance.
3. To allow tactical preparations with our Allies (possibly including the channel of the Harmel Study).

The decision on the nature of the U.S. approach can be taken without necessarily having ready a proposed technique to introduce in December, if the objectives outlined below are adopted. A possible NATO resolution (Attachment A) reflecting these objectives should be the focus of an early policy decision in the U.S. Government, with an alternative which would allow

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introduction of a substantive technical proposal if interagency work should develop such a proposal by December.

11. Objectives of U.S. December Proposal

A. NATO recognition that future tasks of the Alliance include attention to its financial viability.

B. NATO acceptance of the principle that the net foreign exchange costs of military expenditures between members of the Alliance should be neutralized.

C. NATO agreement to study specific proposals for this purpose. (The U.S. might or might not introduce a specific technical proposal in December, and could wait until later in the course of the study.)

D. NATO endorsement of continued bilateral arrangements, pending further study and possible development of a multilateral system.

E. Flexibility in NATO and U.S. actions to allow (1) evolution of bilateral arrangements into a broader system, or (2) divert establishment of a multilateral arrangement.

F. Improvement of U.S. opportunity to negotiate more complete and longer term bilateral arrangements with Germany, Italy, Belgium and possibly others, through NATO adoption in principle of the need for action, thereby overcoming political sensitivities of individual countries to bilateral U.S. approaches.

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G. Political recognition abroad and in the U.S. that the U.S. has a major effort under way to neutralize the deficit from our military foreign exchange expenditures in the interest of mutual security.

III. Considerations Affecting the December Approach

A. Bilateral Negotiations with Germany

We plan to alert the Bundesbank and the German Government in November to our intentions to negotiate early in CY 1968--at a minimum--for a repetition in FY 1969 of the \$500 million securities investment by the Bank in FY 1968. We would prefer a larger amount or a two-year commitment and will press for recognition by the Government and the Bank of the need for longer term arrangements bilaterally or within NATO.

• A U.S. proposal in NATO in December for a multilateral solution could afford the Germans a convenient escape if they wanted to say that they would postpone further bilateral agreements until NATO had made its findings. On the other hand, they have in the past argued for a NATO recognition in principle of the need for action as a means of politically facilitating their bilateral agreements with us. Also, they frankly recognize the growing pressures for U.S. troop reductions and would be reluctant to add fuel to this fire by recalcitrance.

The NATO action could make clear the need for bilateral action until multilateral findings could be reached. The only real risk might be that the Germans would limit their bilateral agreement to one more year, and avoid the bilateral longer term deal we seek by "hiding behind" the NATO study.

B. Future of the Alliance Actions (Harmel Study)

The U.S. seeks results of the Harmel Study in December which (1) give an image of the future of the Alliance which is as positive as possible, (2) avoid tactical conflicts with France. A proposal to deal with military balance of payments issues would be a positive step to demonstrate NATO's willingness to assure its financial viability. Tactically, it should pose no greater difficulty in dealing with France than any other measure which seeks to present a positive image for the Alliance.

It may be late to introduce the concept into the Harmel Study, but an early effort now is preferable to surprising our Allies later. Our Allies can hardly dispute that NATO cannot be politically and militarily effective without national resource commitments and international financial cooperation. It is time for the Allies to come up with ideas in their initiative for achieving a financially effective Alliance in

CONFIDENTIAL DRAFT--page 6

the interests of their own security, rather than count on the U.S. to find ways for bearing the costs on their behalf. Finally, put, their choices are to help us continue to bear the burden of payments costs and thereby assure our presence or to pick up more of their own defense costs.

C. Status of the International Liquidity Exercise

We will be pursuing delicate negotiations, with probably heavy political pressure from time to time, in the negotiation with NATO Allies and others over the coming months to carry through the liquidity exercise in the IMF and subsequent national ratifications. It can be argued that a new U.S. pitch in NATO will subtract from our political ability to carry through successfully on the liquidity actions.

On the other hand, the NATO pitch would be a logical corollary to our efforts in the liquidity field. We have claimed all along (and have been "lectured" by our Allies) that the liquidity exercise is no substitute for measures to deal with our national balance of payments problems. This action would demonstrate our intent to persevere. It would also educate our Allies on what our seeking equilibrium for them financially--an objective which we have been pursuing

in Group of Ten discussions to enhance their political

CONFIDENTIAL DRAFT - page 7

willingness to cooperate with us on the liquidity actions and on the timing and means for seeking equilibrium in the U.S. accounts.

D. Domestic U.S. Political Impact

Failure of the U.S. Government to pursue a major effort to neutralize our military balance of payments deficits runs serious risks in the coming months of our ability to withstand domestic political pressure to reduce our overseas expenditures, if not deployments. Congressional attitudes of recent months have demonstrated the difficulties in obtaining objective debate of alternatives and this will be compounded by the coming election debates.

On the other hand, an effective program to deal with the military deficit could defuse criticism, even if tangible results were somewhat slow in being realized in fact.

If our Allies should coldly reject our proposal in principle, we risk compounding the pressure in the U.S. for greater withdrawals. On the other hand, this possible development in the U.S. could be made clear to our Allies with possible tactical advantage, particularly as we approach our elections.

E. Impact on NATO Military Force Planning

There should be little impact on NATO Force Planning, unless the U.S. were seriously considering an early NATO "pledging

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session" on force commitments covering several years, as opposed to annual commitments as at present. Assuming NATO agreed to study the military balance of payments problem, it would probably be a year before conclusions were reached at the Ministerial level. There could be reluctance of some government (U.K., U.S. and Canada) to plan for NATO force levels until potential balance of payments arrangements for all forces were known. Others (FRG and Italy) might go slow on force commitments if they expected potential new NATO balance of payments procedures to result in new budgetary claims on them. In any case, on balance, these constraints would probably not be much greater than the present budgetary and other resource constraints on force planning.

There is the additional consideration that a NATO study of the balance of payments question, probably requiring up to one year to reach conclusions, could be used by the Allies to delay any U.S. additional force redeployment which we might like to undertake before the conclusion of the balance of payments study.

F. Mutual Force Reductions

The FRG and U.K. are pressing for NATO studies on mutual force reductions between the Warsaw Pact and NATO, but the U.S. is going slow barring a major change in Soviet Bloc capabilities and a

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Financial support to necessary forces would be a corollary to our argument about seeing no inherent basis for reduction.

The Soviet Bloc would not be likely to take our proposal as a sign of weakness in NATO, and might even view it to the contrary. They are already aware of our bilateral efforts to deal with the military balance of payments difficulties.

Positive NATO effort to deal with the problem on a multilateral basis could be a sign of future strength. Our Allies might be reluctant to undermine such a U.S. lead precisely for fear of appearing to reveal Allied dissension to the Soviet Bloc.

CONFIDENTIAL DRAFT

Page 1
November 13, 1967

Draft Resolution for Adoption by the North Atlantic
Council in Ministerial Session
December 1967

1. The NATO members recognize that a major element contributing to the future effectiveness of the Alliance is cooperation in the international financial field, in addition to their cooperative political and military efforts supported by national contributions of resources. They recognize that achievement of their political and security objectives requires parallel financial support.
2. The NATO members agree in principle that the net foreign exchange costs of military expenditures between members of the Alliance should be neutralized.
3. The NATO members take note of various bilateral actions which have been agreed between them to deal with the balance of payments consequences from foreign exchange expenditures by one country which benefit another as a result of fulfilling military objectives of the Alliance. The members agree that such bilateral cooperation should be continued.
4. Without jeopardizing the existing or prospective bilateral arrangements, the NATO members agree that a special group should be established under the North Atlantic Council to develop specific proposals for neutralizing the

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and foreign exchange cost of military expenditure between countries within the Alliance. The study should include two possibilities among other considerations: (a) the evolution of bilateral arrangements between members into a broader multilateral system, and (b) the possible establishment of a multilateral system at the outset. (Note: Following sentence is a possible addition to the text -- In this connection, the members take note of a specific proposal by the U.S. and request other countries to present their views on this proposal, and to present their own suggestions.) The NATO members agree to expedite the development of proposals for the Council's initial attention at the Ministerial Meeting in the Spring of 1968. The development of these proposals does not commit the members in advance with respect to whether or not any specific proposals of a multilateral character may be adopted.

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U.S. PAYMENTS BALANCE ON MILITARY ACCOUNT
WITH NATO COUNTRIES, FY 69-72
 (\$m; October 1967 estimates)

	<u>FY 69</u>	<u>FY 70</u>	<u>FY 71</u>	<u>FY 72</u>	<u>Total</u> <u>4 years</u>
Germany	-752	-785	-554	-571	-2262
Canada	-179	-108	-103	-90	-480
Italy	-75	-83	-79	-76	-313
Turkey	-42	-42	-42	-42	-168
Belgium	-29	-26	-31	-29	-115
Netherlands	-23	-29	-25	-23	-100
Denmark	-27	-25	-24	-24	-100
Greece	-19	-19	-19	-19	-76
Iceland	-16	-15	-15	-15	-61
France	-10	-7	-7	-7	-31
Portugal	-4	-3	-2	-2	-11
Norway	+3	+5	+7	+8	+23
UK	-13	+46	+66	+81	+180
	<u>-1186</u>	<u>-1091</u>	<u>-828</u>	<u>-809</u>	<u>-3914</u>

Note: Estimates assume U.S. forces in Southeast Asia remain at currently approved strength only through FY 1969.

R. W. Bean
 26 October 67

Source: JDD C-1, 1967

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THE UNDER SECRETARY OF STATE
WASHINGTON

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October 23, 1967

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SENIOR INTERDEPARTMENTAL GROUP

Record of Discussion at the
23rd SIG Meeting on October 19, 1967

Present:

Under Secretary of State, Chairman
Deputy Secretary of Defense
The Chairman, Joint Chiefs of Staff
The Director of Central Intelligence
Director, United States Information Agency
Administrator, Agency for International Development
Under Secretary of Agriculture
Under Secretary of State for Political Affairs
Deputy Under Secretary of State for Political Affairs
Counselor, Mr. Bowie
Staff Director

EUR, Mr. Leddy
Amb., Cleveland
ISA, Mr. Wyle
JCS, General Orwat

A. Discussion of the Harmel Study.

Eugene Rostow introduced the subject by briefly sketching the background to the Harmel Study and the steps which led to the present critical and political phase. The Special Group, authorized by the Council to review the tasks of the Alliance, will meet on November 7 to consider the

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reports made to it by the four sub-groups. An excellent Summary of these reports was prepared at last week's Ditchley Park meeting. Mr. Rostow explained that originally there had been some thought given to a special declaration reaffirming each nations commitment to the Alliance beyond 1969. The general view at the moment seemed to be that no specific declaration would be sought, but the continuance of the Alliance as long as danger continued would be clearly implied.

For most member governments, it was important domestically that NATO play, and be seen to play, a positive political role in sponsoring policies to improve political relations with the Communist nations. Except for France, there is probably solid support for a strong result from the Harmel Exercise. All members are concerned about the possibility of hostile reactions from France, or even a withdrawal from the Alliance. It is generally thought that if France decides to withdraw it will not need the excuse of the Harmel Exercise to do so. On the other hand it would be easier to withdraw from the "feeble hulk" of NATO if it failed to revitalize its methods of political consultation. Harmel has told us that, while he wishes to avoid provoking the French, he is clear that we must not sacrifice any of the essential elements of the program in order to propitiate France. It does not seem likely at this time that we shall have to consider going ahead with just Fourteen as we have had to do in the military field. If this kind of confrontation with the French appears unavoidable prior to the Ministerial Meeting, we would of course have to go back to the President.

The ideal situation from our point of view would be to get approval of the Summary by the Special Group which would then transmit the paper to the Council as its own report. Between now and November 7 we will be exploring the reaction of governments to this Summary. We will also be trying to clarify and guide--not too oppressively--the reaction of our NATO partners, and their ideas as to procedure for the next two months.

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On substance, the ideas in the Summary fall mainly under the headings of European security arrangements, including the German problem; disarmament and arms control; and activities outside the strict Treaty area. The failure of Europe to speak with any authority during the Middle Eastern crisis has been felt in Europe. There was now a more forthcoming attitude toward the kind of consultation on Mediterranean and Middle Eastern problems which Ambassador Holmes was beginning. Progress in these consultations during the present period should help NATO reach a decision in the Harmel Exercise to continue them through an open-ended group at a level of political responsibility. With respect to NATO consultations on problems arising outside the Treaty area, Mr. Rostow thought the Middle East and North Africa were the obvious subjects with which to start the process of evolution within NATO.

Mr. Rostow sketched the general tactical situation. He said that while there had originally been talk of a ringing Ministerial Declaration to be issued in December, we should be content to play the ministerial decisions in a low key. This could best be done by Ministerial affirmation of the Summary document or a version thereof as a kind of on-going work program. We should try to avoid the word "new", so as not to cause problems with the French unnecessarily. All governments could make their own statements of what had been decided and play up those aspects of particular domestic importance to them.

There had been talk about various alternative procedures for carrying forward the work recommended on European security arrangements, including the German problem. We had no particular preferences as to procedure. But NATO could not displace the underlying responsibilities of the United States, France, and Britain in Germany. Any consultative procedures to be developed would have to take this fact into account.

There could be a continuing discussion of arms policy and force reductions and this could be done either in a new body or in one of the existing committees. On the Mediterranean Study, the creation of an open-ended committee should be considered for those who wish to participate seriously in this NATO activity.

Before beginning the discussion, Mr. Katzenbach circulated the letter from Mr. Barr stating Treasury views on the desirability of NATO considering cooperative methods for financing the presence of Allied troops in countries other than their own. Mr. Rostow said that

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he has been in contact with Mr. Fowler and Mr. Deming on the subject, which is before the new Deming Committee. They will pursue the problem in that forum. He regarded it as much too late to raise the issue in the Harmel Exercise. On the merits, he agreed with the Treasury view, and we intended to move ahead in the Deming Committee. Mr. Katzenbach agreed. He also commented with respect to the last paragraph of Mr. Barr's letter that he was not prepared to say that we were wrong in our long-standing policy on European unification.

Mr. Nitze stressed the importance of progress in reviewing the strength of the Alliance. He agreed wholeheartedly with the conclusion in paragraph 27 that a lack of action in December would be a major failure. Mr. Nitze thought that most of the Alliance were together on the importance of defense arrangements, and on the importance also of better political consultation. Even with regard to France, there seemed to be some progress with respect to certain areas of the study, particularly Mediterranean problems. He thought we should put emphasis on this. On East-West policy, the Germans are the linchpin since they were sensitive both to French concerns and generally on East-West policy since their interest was the most immediate. Therefore he recommended that we let the Germans take the lead on this.

General Wheeler said that the Chiefs wish to second what Paul Nitze had said and emphasized the great importance they attached to positive movement in the Alliance. If not, it would not just be a question of "running down", but rather of the Alliance's possible fragmentation and disappearance. While not attempting to deliberately antagonize de Gaulle, we should certainly not avoid doing what is necessary just in order to placate him. We don't need a dramatic declaration but we do need something positive even if in low key. All the Chiefs concurred in this view. He said he had no trouble with the substance of the Summary.

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Mr. Katzenbach said that on the tactical situation there seemed to be basic agreement among all those present on the necessity for reinvigorating the political side of NATO. We should be much worse off if no action were taken. Mr. Marks referred to his recent sampling study of public opinion showing strong support in Britain, Germany, France and Italy for a NATO role in East-West political initiatives.

Ambassador Cleveland described the current political situation in NATO and how it differed from the confrontation with the French last year over defense matters. He said that the balance was now quite changed. At this point, some countries which had been unwilling to engage in a debate with the French on defense policy a year ago were now taking a strong position because the issue was or appeared to be "detente". He said the US was now somewhere in the middle between the Danes and others who wanted a NATO political role in detente and the Germans who feared offending the French with emphasis on political tasks. He too stressed the fact that the US should not be particularly interested in a public declaration, but rather wanted clear decisions, a good statement, and a solid "working program".

Mr. Leddy made the point that the East-West relations report prepared by a German and a British official was a good, modest step-by-step program which did not aim at the fundamental security problem. It was his hope that the Germans might get the French to go along with this proposal. De Gaulle seems concerned that the Harmel proposals would seek to "control" the policies of the member countries and not to be objecting to consultation as such. He stressed that if the French stay out of an agreement on East-West policies there is not much NATO can do because the French are essential to any such discussion.

Mr. Kohler summed up the situation by saying that we needed enough in the way of positive elements for the Ministers to agree upon for a businesslike communique. Then we could let the Ministers portray the results in their own way.

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Mr. Bowie stressed the necessity of avoiding a German "run-out". He supported Ambassador Cleveland's analysis that the best tactic was to aim for agreement on specific actions in order to minimize conflict with the French about formally approving reports or agreeing on major declarations.

Mr. Rostow accepted the statement that the reports should not be approved as such but left to stand as the work of the Rapporteurs. But he thought something had to be approved and suggested that this could be the Summary or a document of equivalent import that would be proposed by the Special Group. Mr. Bowie said that he hesitated about this because he thought that this would lead to a renegotiation of the Summary and much of its content might be lost; it was better to retain it as a clear statement which could be used by individual members as they needed.

Mr. Katzenbach summarized the situation by stating that all agreed that the Summary was a good statement of where the Alliance stands and provides good guidance for a future work program. All agreed that it was important that the exercise not be a failure however big or little a success it might be. All present also wished to get as much of the substance approved in its existing form without getting involved in a negotiation which might squeeze down the amount of substance in the report. Finally, the worst situation we could be in would be to get expectations up of a major move and then have the Germans defect and NATO perhaps lose prestige in the process. Mr. Katzenbach picked up the point about not needing a political declaration in the United States. He said this should not be overdone. We want a document which will help us convince people in the United States of the importance of NATO so that it cannot be said that we are neglecting Europe or allowing NATO to disintegrate. At most we could hope to get an approved version of the Summary and at least some agreement that the Secretary General would develop NATO actions from the Summary plus the announcement of some specific action at the time of the NAC Meeting.

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Ambassador Cleveland thought that Mr. Katzenbach and the Secretary might have to help out in a later stage when it would be necessary to show that the United States was prepared to get into a fight with the French, while not necessarily seeking such a confrontation. We would also have to work with the Germans and emphasize to them the importance of NATO having a political role in order for the United States to maintain public support for our troop commitment in Europe. Mr. Katzenbach agreed and said further that the question was not so much a fight with the French but more the effect on the Germans. We don't mind fighting with the French as long as we can maintain the unity of the Fourteen.

B. Future Meetings.

1. Mr. Katzenbach said that he wanted to have an early meeting on AID and MAP. He said that he had already talked to Mr. Gaud and to Mr. Nitze about this possibility. Recognizing that the '68 programs are not yet through the Congress, we should in the next several weeks have some idea of possible levels. It was important therefore to begin now to look at some of the very tough questions we will face next year working with reduced '68 levels and the possibility of similar levels for '69. The Staff Director will arrange for papers to be prepared for a meeting on November 9.

2. Mr. Katzenbach said that after the meetings with Foreign Minister Eban next week we should have a further discussion in the SIG about the current negotiating situation in the Middle East and our future policy toward the area. He thought that the current situation could be discussed either next week or the week after and we could then deal with some of the issues stemming from the Holmes Report later in November.

3. Mr. Katzenbach said that he understood Mr. Kohler had a group working on reactions to our ABM announcement and that they would have a paper ready for discussion in the SIG sometime after mid-November.

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4. Mr. Katzenbach said that as SIG members undoubtedly knew we had gone ahead with the F-5 decision and were now awaiting reaction from Peru and Brazil. *→ what - this?*

Arthur A. Hartman
Arthur A. Hartman
Staff Director

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30 January 1967

~~MEMORANDUM~~

SUBJECT: Meeting of the Interagency Southern Rhodesia-Zambia Problem and Plans Group on 27 January (44th)

1. Mr. McKibben, AF/EE (State), opened the meeting with a resume of the Rhodesian problem since the group's meeting last September. He considers that the Rhodesian internal situation has shown little change. In Zambia the level of P.M. stocks is now down to 13,000 tons whereas last year most experts considered that 20,000 tons was the minimum safe level. Zambia is exporting its copper about equally over the Rhodesian railway route, the Benguela railroad through Angola, and by an assortment of routes through Congo, Malawi, and Tanzania.

2. State Department desk officers have now received the OK to carry on discussions with British officials about London's future plans. There is concern that in early March the US Secretary General will report that South Africa and Portugal are not complying with the sanctions resolution and call for further US action. Mr. McKibben considers that London has about reached the end of the sanctions route and negotiations must be resumed. He does not believe that the present sanctions will bring Rhodesia to its knees but hopes that Salisbury officials will begin to fear the long term effect.

3. Mr. McKibben reported that State and Treasury Departments have not yet issued the regulations implementing the Presidential Proclamation about sanctions even though ready because we are awaiting British definition of commodities to be covered as well as a decision on how London plans to deal with subsidiaries in third countries.

4. There was a brief discussion about public and congressional criticism of the US sanctions stand and description of Rhodesia as a "threat to world peace." The rightwing in US politics has attacked our stand vociferously, but he believes a solid congressional majority supports the decision. Secretary Bess recently reassured congressional committees that the US would not become militarily involved in the situation and the Rhodesian problem would probably soon be back under negotiations.

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5. In the line of public reaction, State Department expected a minor amount of shock in view of the invitation of the Church League of America to Prime Minister Smith to visit the group in Chicago in early March. State officials were assuming that Britain would not validate Mr. Smith's passport.

6.. Mr. McWhorter reported that he would call further meetings of the group when requested by any of the members or when he felt it necessary to pass on information.

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Office of Current Intelligence

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TO : IRG Members
Department of Justice - Mr. Doherty
Department of Labor - Mr. Weaver
Department of the Treasury - Mr. Davis

FROM : Staff Director, IRG/EUR

SUBJECT: Transmitting Draft Minutes of Meeting
of December 19

The draft minutes of the IRG/EUR meeting of December 19 are attached. It would be appreciated if any proposals for changes could be submitted in written form at your early convenience.

Enclosure:

IRG/EUR/Minutes-8 (draft)

Robert L. Yost
Code 182, 6915

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Minutes of Meeting of December 19, 1966

Chairman : Mr. Leddy

Present : CIA - [] 25X1A
DOD - Mr. Wyle, Commander Morris
JCS - Colonel Godding
Justice - Mr. Doherty
Labor - Mr. Weaver
Treasury - Mr. True Davis
USIA - Mr. Littell
White House - Mr. Nathaniel Davis
EUR/EE - Mr. Lisle
E - Mr. Miller
Staff Director - Mr. Yost

1. The minutes of the meeting of November 3 were approved as amended (IRG/EUR/Minute-7 (draft) and Corrigendum).

2. Reducing Restrictions on Entry by Soviet and Eastern European Ships into U. S. Ports. (IRG/EUR/11, 12 and 14.)

Conclusions:

The group agreed:

A. That the Revised State Proposal (enclosure to IRG/EUR-14) will be used as the basis for preparation of a draft NSAM. The draft NSAM will be circulated for approval of the interested agencies.

B. That the head of the agency responsible for the Coast Guard would, under any new procedures, keep interested agencies informed of all impending arrivals of Soviet and Eastern European ships at U.S. ports.

C. That, prior to presentation of the draft NSAM to the President:

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1. the Secretary of Labor, together with appropriate officers of the Departments of Defense, Treasury and State, will arrange for 2003/02/27 : CIA-RDP79T01762A000900030013-3

ii. following these consultations, soundings will be taken with the Congressional leadership.

Discussion:

Mr. Leddy noted that the third sentence of paragraph two of the Revised State Proposal should be corrected to read " . . . no additional ports would be opened in those counties noted by the Joint Chiefs of Staff . . . " Mr. Wyle stated that the JCS list should not be considered static: as additional counties were opened, ports in these counties could also be opened automatically. Mr. Lisle circulated a list of ports which might be opened under the new proposal (attached). The list, which was based on the dual criteria of DOD acceptance and of the physical feasibility of Coast Guard spot checks, is illustrative only and will be looked at more closely by the interested agencies.

Mr. Lisle noted the special problem of a CFR prohibition on 25X1 Soviet and Eastern European vessels transitting the locks at Sault Ste. Marie unless an advance waiver is obtained.

25X1 [redacted] Although related, it might involve some special problems. In any event, it could be moved along separately from the proposal before the group.

After brief discussion, Mr. Leddy noted that for the purposes of the present proposal, the continental United States would be taken to include Alaska to the extent of the specific ports and types of shipping mentioned in Item 3 of the December 8 McNamara/Rusk letter (attached to IRG/EUR-12). Hawaii is not included in this definition, nor are the Virgin Islands or Puerto Rico at this time. The Defense representative was asked to determine as a matter of urgency what ports in the Virgin Islands or Puerto Rico could be considered open. This is a question of some importance in connection with Soviet cruise vessels.

Mr. Doherty asked what criteria the Secretary of the Treasury (or of the successor agency having supervision over the Coast Guard)

25X1

- would use in deciding when to make a spot check or when an intelligence warning required such a check. After discussion, the group agreed to record in its minutes the understanding that the Secretary of the Treasury (or the successor agency) would keep all members of the Port Security Committee advised in advance of any proposed calls by Soviet or Eastern European vessels at American ports. The Departments of Justice and the Treasury will work out with other interested agencies the specific means of keeping all members adequately informed. Mr. Leddy said that further thought needed to be given to whether or not to announce these steps publicly and, if so, to how such an announcement might be handled. He suggested that a proposal on this question be circulated with the draft NSAM.

Mr. Weaver emphasized that the Labor Department considered prior consultation with the leaders of the major trade unions involved to be essential. These leaders would have to include Messrs. Meany and Gleason and should also include Messrs. Hall and Curran. Mr. Weaver thought that these leaders were security-cleared so that this matter could be discussed with them. The Longshoremens would play a key role and the leaders would have to prepare their men in the ports involved; the consultation, therefore, would have to be fairly specific. The group agreed that Labor would take the lead in organizing these talks, perhaps under Mr. Wirtz's chairmanship, and include in them officers at the Under Secretary or other high level in Defense, Treasury and State as well as a senior representative of the military and possibly the Commandant of the Coast Guard. The question of how publicity might be handled could be raised with the union people.

The group agreed that Congressional consultation would also be necessary and that this should be done before taking the issue to the President.

Enclosure:

List of Open Ports.

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Robert L. Yost:mae
Code 182, 6915

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ILLUSTRATIVE LIST OF OPEN PORTS

UNDER REVISED STATE PROPOSAL IN IRG/EUR-14

BUCKSPORT, MAINE
SEARSPORT, MAINE
*PORTLAND, MAINE
SALEM-BEVERLY, MASS.
FALL RIVER, MASS.
PROVIDENCE, R.I.
NEW HAVEN, CONN.
BRIDGEPORT, CONN.
ALBANY, N.Y.
PENN MANOR, PA.
FLORENCE, N.J.
BURLINGTON, N.J.
*WESTVILLE, N.J.
*PAULSBORO, N.J.
*THOMPSON POINT, N.J.
*CHESTER, PA.
*MARCUS HOOK, PA.
WILMINGTON, DELA.
DEEPWATER POINT, N.J.
DELAWARE CITY, DELA.
MOREHEAD CITY, S.C.
*WILMINGTON, N.C.
GOERGETOWN, S.C.
PORT ROYAL, S.C.
*SAVANNAH, GA.
*BRUNSWICK, GA.
FERNANDINA, FLA.
*FORT PIERCE, FLA.
*PALM BEACH, FLA.
PORT EVERGLADES, FLA.
BOCA GRANDE, FLA.
PORT ST. JOE, FLA.
PENSACOLA, FLA.
*MOBILE, ALA.
*PASCAGOULA, MISS.

BATON ROUGE, LA.
LAKE CHARLES, LA.
*ORANGE, TEX.
*BEAUMONT, TEX.
*PORT ARTHUR, TEX.
*FREEPORT, TEX.
*BROWNSVILLE, TEX.
*PORT ISABEL, TEX.
*REDWOOD CITY, CAL.
*ASTORIA, ORE.
*VANCOUVER, WASH.
LONGVIEW, WASH.
*ABERDEEN, WASH.
*HOQUIAM, WASH.
*PORT ANGELES, WASH.
OLYMPIA, WASH.
EVERETT, WASH.
BELLINGHAM, WASH.

* Indicates some Coast Guard resources available within 1-1/2 hour distance.

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19 December 1966

MEMORANDUM FOR: Director of Research and Reports

SUBJECT: IRG/EUR Meeting 19 December 1966

25X1A

1. Attached for [] is a copy of the memorandum for the record covering the 19 December IRG/EUR meeting on Port Security.

25X1A

2. There probably will be another meeting soon after the first of the year to deal with procedures for implementing these latest proposals.

3. I very much appreciated the memorandum from Mr. [] and I will keep you and him advised of any further discussions in the IRG on this subject and will pass to you all papers pertaining to it which I receive. I would have very much liked to take [] with me to the meeting but Mr. Leddy has several times requested that the session be limited to IRG principals lest we be inundated by the teams which the Pentagon normally likes to field in inter-agency discussions of this sort. I checked again with Mr. Robert L. Yost, the IRG/EUR Executive Secretary, on this questions and he confirmed my impression that the meetings are limited to principals.

25X1A

25X1A

Attachments



*Port Security Discussion 19 Dec
to that folder -
[Signature]*

19 December 1960

MEMORANDUM FOR RECORD

SUBJECT: IRG/EUR Meeting on Port Security

1. The IRG/EUR meeting took place on 19 December to discuss the most recent version of the original State proposal on reducing restrictions of entry of Soviet and East European ships into U. S. ports. The newest proposals take into consideration suggestions made by the Treasury Department as well as those included in Secretary McNamara's letter of 8 December on the same subject. IRG/EUR-14, attached, transmitted the redrafted proposals.

2. The proposal in paragraph 1 to implement search and surveillance on a selected spot check basis was approved by IRG members. It was suggested that the Secretary of Treasury might need guidance from the Port Security Committee with regard to criteria affecting intelligence warnings. While this suggestion was concerned primarily with intelligence warnings on individual vessels, it was also thought that it could pertain to tighter restrictions which might need to be applied in the event intelligence information indicated the existence of a more general crisis.

3. The proposal to increase the number of authorized ports was also accepted, however, some of the language was amended for the purposes of clarification. "The Continental United States" was intended to mean the 48 States less Alaska and Hawaii. The Department of Defense representative noted, however, that the Secretary of Defense would have no objection to including Alaska. In considering those ports which would be exempted from this change it was noted that the opening of new ports related to specific counties and it was the opening of individual counties to diplomatic travel which would be the deciding factor in opening ports in those counties. It is the intention of the Department of State and the Defense Department that as new counties are opened up to diplomatic travel, new ports will be opened as well. Finally, the study by the JCS on the opening of inland and Great Lakes ports would be expanded to take into consideration the problem posed by restrictions on the use of the Soo Locks to Lake Superior by "Communist" vessels.

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4. The reduction of the 30-day advance notice to one week was approved by FRG members.

5. In considering procedures whereby the proposals would be implemented, it was agreed they would form the basis for an NSAM, a draft of which would be circulated shortly to concerned departments and agencies. There was no specific agreement on whether the criteria which would form the basis for guidance from the Port Security Committee to the Secretary of Treasury in acting on intelligence warnings would be included in any form in the NSAM. The feeling was that the criteria should probably not be included.

6. Based on a statement of the problem by Mr. Weaver, of the Department of Labor, it was agreed that consultation with appropriate labor leaders (Mr. Meany and the presidents of the Longshoremen and two principal maritime unions) would have to take place before these proposals could go into effect. It was decided then that the proposal would also be discussed with appropriate members of The Congress. The plans for Labor and Congressional consultations had a bearing on the procedures originally proposed by the State Department for implementing these new proposals. The original State Department position was to have the changes take place gradually after the appropriate East European countries had been notified. It was felt that if this were done and by dealing with the Soviet Union only through the Moore-McCormack Lines, which are the Soviet shipping agents in the U. S., little attention would be drawn to these actions. Mr. Leddy felt there would have to be new proposals on handling both notification and publicity because he did not think that the suggestions contained in existing proposals would work.

7. I asked Mr. Raymond Lisle, East European Country Director, whether there was any special significance to the different treatments accorded the USSR and East European countries insofar as notification was concerned. In his view, the principal reason for the [diversion] was diversion the desire to avoid unfavorable repercussions on the part of U. S. Labor which continues to boycott Soviet vessels. It is clear now, however, that any new agreements on consultation with Labor and a new approach to notification and publicity might alter the plans to approach the Soviets and the East European Governments on this low-key basis.

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16 December 1966

MEMORANDUM FOR THE RECORD

SUBJECT: Reactions of ORR, OCI, and ONE to Department of State
Proposals for Easing Restrictions on the Entry of Soviet
and East European Communist Ships into US Ports

1. A meeting of the Interdepartmental Regional Group for Europe is to be held at the Department of State on 19 December 1966. The purpose of the meeting is to reach a decision on the actions recommended in the Department of State paper "Reducing Restrictions on Entry of Soviet and East European Ships into US Ports" preparatory to drafting a NEAM on the subject.

25X1A 2. The Agency will be represented at this meeting by [redacted] One purpose of this memorandum is to set forth for [redacted] the reactions of appropriate DD/I components to the Department of State proposals. 25X1A

3. The three main proposals in the latest revision of the Department of State paper are:*

- a. That Soviet and East European ships calling at US ports be subject to search and surveillance on an unpredictable spot check basis rather than on a mandatory basis as at present, "except when there is an intelligence warning regarding internal security danger with regard to a specific ship or person."
- b. That the number of US ports Soviet and East European ships are permitted to call at be increased from the present limit of 12 specific ports when the ports to be added are agreed upon by State and Treasury after consultation with the port security committee.
- c. That Soviet and East European ships intending to call at US ports be required to give notice seven rather than thirty days prior to arrival as they are under existing regulations.

* These proposals correspond closely with proposals in a memorandum from Robert McNamara to Dean Rusk, dated 8 December 1966.

4. In its latest memorandum on the subject the Department of State recommends that Moore McCormack Lines which represents Soviet shipping interests in the US be informed of any changes in US port security regulations as they occur but that no direct communications with the Soviet government be made. At the same time it is recommended that East European countries be quietly notified of pertinent changes in regulations and that efforts be made to win reciprocal concessions from them in other fields.

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5. The position of [redacted] speaking for ONE, is that in light of the Agency's appraisal of Soviet intentions, no increased security risk for the US will result from the easing of port security restrictions proposed by the Department of State. Both

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[redacted] concur with the specific proposal that search and surveillance be shifted from a mandatory to a spot check basis. This is consonant with the memorandum from the DD/I to Thomas Hughes of DRR, dated 5 August 1966, and with NIE-7-63 which states:

D. "Although the Soviets are capable of introducing nuclear weapons clandestinely into the US, we believe that the limited advantages of this course of action when weighed against the consequences of possible detection, make it unlikely that the Soviets will do so. However, there cannot be complete assurance that the USSR will not attempt the clandestine introduction of nuclear weapons into the US."

6. It is recommended by ONE that at the time a NEAM is prepared to implement the decisions of the IRG on a relaxation of port security restrictions, procedures be adopted to insure that tighter restrictions will be applied in the event of a new confrontation with the USSR such as that which occurred at the time of the Cuban crisis.

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